

declared prior to the transaction. If, on the other hand, an investor purchases a stock after it is quoted *x d.* the dividend will not belong to him even though it be paid subsequently to the purchase.

In order to show the need and equity (to both sides of the bargain) of the course pursued by the Stock Exchange some preliminary explanations are necessary.

It is the practice of companies that, when the accounts for any particular period have been completed and the profits ascertained, the directors declare or announce the rate of dividend which they are able to distribute, but this declaration does not become a final decision and operative until it has been confirmed by the subsequent meeting of the shareholders. [In one company with which I am acquainted the procedure is different, for when the directors have fixed the dividend their judgment is final, and the shareholders possess no power of modification.]

Where a fixed rate of interest is payable upon a stock (such as government or municipal securities and the debenture stocks of a railway) no declaration is needed, since the issuers of the stock are by contract bound to the payment of this rate under all circumstances.

Whether the periodical payment upon stocks and shares consists of dividend or interest, it is obvious that very considerable additional labour is entailed upon the staff and officers while the preparations for declaration and distribution are proceeding. In the case of banks and agents who manage the loans of the government or municipal corporations or colonial governments, as well as in the case of companies of all descriptions which have issued stocks and shares, it is first necessary to complete, balance, check and audit the accounts, to ascertain that the list of names of the recipients to whom the warrants (or cheques) for dividend or interest are to be sent is correct, and to prepare and sign the cheques themselves to the order of the persons entitled to the payments. In respect of companies there is entailed the further laborious duty of examining the income and expenditure of the period under review, of determining the requisite

reserves to be retained for present and future liabilities, and of then settling the amount